VENEZUELA

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Key Economic Indicators

(Billions of U.S. Dollars unless otherwise indicated)

	1996	1997	1998 1/
Income, Production and Employment:			
Nominal GDP 2/	63.4	87.4	101.2
Real GDP Growth (pct) 3/	-0.4	5.1	-3.0
GDP by Sector:			
Agriculture	1.9	2.7	2.0
Manufacturing	-4.8	2.6	-4.0
Services	-3.3	3.4	-3.0
Government	-3.8	-3.3	-3.5
Per Capita GDP (US$)	2,842	3,838	4,349
Labor Force (000s)	9,025	9,507	9,940
Unemployment Rate (pct)	12.4	10.6	13.0
Money and Prices (annual percentage growth):			
Money Supply Growth (M2)	55.8	62.5	9.0
Consumer Price Inflation	103.2	37.6	32.5
Exchange Rate (BS/US$ annual average) 4/			
Official	419.5	488.8	549.3
Parallel	462.6	488.8	549.3
Balance of Payments and Trade:			
Total Exports FOB 5/	23.4	23.7	16.8
Exports to United States 6/	12.9	13.4	9.5
Total Imports FOB 5/	9.8	12.3	12.5
Imports from United States 6/	4.7	6.6	6.7
Trade Balance 5/	13.6	11.4	4.3
Balance with United States 6/	8.2	6.8	2.8
External Public Debt	25.4	23.8	23.0
Fiscal Superavit (Deficit)/GDP (pct)	0.6	1.6	-4.0
Current Account Surplus (Deficit)/GDP (pct)	13.9	6.9	-0.6
Foreign Debt Service Payments/GDP (pct)	10.1	12.0	5.4
Gold and Foreign Exchange Reserves	15.2	17.8	12.0

Aid from United States	N/A	N/A	N/A
Aid from All Other Sources	N/A	N/A	N/A

1/ 1998 figures are all estimates based on available monthly data in November.

2/ GDP at market value.

3/ Percentage changes calculated in local currency.

4/ On April 22, 1996, the government abandoned the fixed rate of BS 290 to the dollar, eliminated exchange controls, and allowed the currency to float. For the remainder of 1996 the bolivar hovered around BS 470 to the dollar. During the period of exchange controls, the parallel rate was the effective exchange rate resulting from the trading of Brady Bonds on the Caracas Stock Exchange.

5/ Merchandise trade.

6/ Source: U.S. Department of Commerce; exports FAS, imports customs basis; 1998 figures are estimates based on data available in November.

1. General Policy Framework

Venezuela has followed a free market path following President Rafael Caldera's April 1996 decision to abandon a two-year experiment with foreign exchange and price controls. A harsh economic downturn caused by a deep recession in Asia and a fall in oil prices posed challenges to this economic opening in 1998, but did not derail the program. Privatizations continued. The government sold a 70 percent interest in the Nueva Esparta electric company and an 80 percent interest in the Venezuelan ferrosilicon producer FESILVEN to private investors. Despite these successes, Venezuela's failure to find bidders for its aluminum industry underscored the continuing difficulties of privatization in an economy challenged by an economic recession, an overvalued currency, and high interest rates. Efforts to privatize four money-losing state aluminum plants continue.

Venezuela made major strides in modernizing the country's legal framework during 1998. A new Petrochemicals Law further opened that sector to private investment and a Domestic Refined Products Law further liberalized Venezuela's internal fuels market. A revised Capital Markets Law gave closer regulation to the securities business and raised reserve requirements for stockbrokers. Venezuela created a macroeconomic stabilization fund, a repository for excess revenues in years when oil prices are high, that the state can draw upon to smooth economic adjustments during years when oil prices fall. Congress passed a Commercial Arbitration Law, which makes it possible for businesses to settle disputes through binding arbitration, rather than resorting to the country's court system. The government enacted landmark pension reform legislation, which will provide for the private management of workers' pension funds, a measure that should both improve retirements and make a pool of domestic investment capital available to local enterprises. The government also approved a new Customs Law designed to crack down on illegal and undervalued imports by making private customs agents legally responsible for the shipments they handle. Finally, a new Tourism Law was passed that provided extensive tax breaks to investors willing to put resources into that sector.

The Caldera administration sought to strengthen U.S.-Venezuela bilateral relations and to facilitate U.S. investment in Venezuela. The United States and Venezuela initialed a Bilateral Income Tax Treaty during 1998, which will enter into force upon notification of ratification by both countries. Separately, the U.S. and Venezuela spent many months negotiating a Bilateral Investment Treaty, which would have provided full national treatment to investors from both countries. In the atmosphere of presidential elections, negotiations broke down in the spring after the Venezuelan team undertook consultations with public and private sector organizations. The U.S. will pursue the resumption of talks with the new Venezuelan Government that takes office on February 2, 1999.

Because of Venezuela's vast natural resources, the economic reform process possesses enormous potential. The country is rich in petroleum, natural gas, hydroelectric power, bauxite, iron ore, coal, gold, and diamonds. The petroleum industry dominates Venezuela's economy. In

1997, it accounted for roughly 28 percent of the country's GDP, 77 percent of export earnings, and 62 percent of central government revenues. It is estimated that for 1998 the state petroleum company's (PDVSA's) share of government revenues will fall to 44 percent due to reduced oil prices. The petroleum sector will become more important as PDVSA continues to open the sector to private capital. PDVSA wants to double production over the next 10 years, from its current level of 3.1 million barrels per day (b/d) to more than 6 million b/d by 2007. However, in light of OPEC production cuts, its timetable for doubling production may be delayed.

The government has begun efforts to diversify the Venezuelan economy by expanding non-oil exports. The government created a new Ministry of Industry and Commerce (MIC) in January 1997, which merged the former Ministry of Development with the Foreign Trade Institute. A new Foreign Trade Bank (BANCOEX) also began operations in October 1997 with a charter to promote, as well as finance, exports.

The Venezuelan economy, led by the oil sector, grew strongly through 1997, expanding by five percent. Building on this base, 1998 started off strongly. This expansion ended suddenly with increasing economic problems in Asia and a rapid fall in oil prices in the late winter and early spring. Venezuela fell into a deep recession as interest rates rose and both employment and demand for goods declined. Overall GDP ran at an estimated negative three percent for 1998 with the domestic manufacturing sector particularly hard hit. The economy is not expected to recover until the last quarter of 1999.

Inflation remains a challenge for Venezuela. The lifting of exchange controls and the corresponding devaluation caused an inflationary burst in 1996, which pushed the consumer price index to 103 percent, the highest level ever recorded in Venezuela. The government cut inflation to 37.6 percent in 1997. The government's goal for inflation in 1998 had been 20 percent. However, high public spending and an increase in the money supply have augmented inflationary pressures. Estimates now indicate that inflation reached approximately 32.5 percent by the end of 1998.

2. Exchange Rate Policy

The Central Bank of Venezuela (BCV) sells short-term monetary notes (known as TEMS), government bonds (known as DPNS) and dollar reserves to support the bolivar. The BCV can exert considerable influence over the exchange rate because it receives around 80 percent of the country's supply of dollars. PDVSA, the chief earner of foreign exchange, by law must sell its dollar proceeds to the BCV, which in turn supplies these dollars to the local market.

Since the elimination of exchange controls and the large devaluation of April 1996, the BCV has not permitted the bolivar's depreciation to keep up with the rate of inflation. It has done this as an anti-inflationary measure to hold down the prices of imports. The bolivar/dollar exchange rate was BS 470 to the dollar in May 1996 and only reached BS 500 to the dollar at the end of 1997. It was BS 568.5 to the dollar in mid November 1998. This constitutes a twelvepercent depreciation from January 1 to mid-November 1998. The inflation rate for the same period ran over 25 percent. The divergence between the rates of devaluation and inflation has caused the bolivar to become increasingly overvalued against the dollar. The best estimates held that the bolivar was 39 percent overvalued at the end of 1998. Despite the overvalued exchange rate's negative impact on domestic manufactures and non-oil exports, the government is expected to maintain the overvalued bolivar to hold down prices through the inauguration of the new government on February 2, 1999. BCV reserves remain sufficient to support the bolivar, barring some unforeseen economic shock.

3. Structural policies

Pricing Policies: The government lifted price controls on all basic goods and services in April 1996, with the exception of pharmaceuticals and public services, as part of its economic reform program. Prices for the majority of pharmaceutical products were decontrolled in August 1998. Now only those pharmaceuticals with less than four competitive products remain subject to price controls. Price labeling rules were relaxed in 1996. There is no longer a requirement to stamp an unalterable maximum price on items leaving the factory. The government eliminated the remaining subsidy on gasoline in 1997, bringing domestic retail prices up to export prices.

Tax Policies: Venezuela has a territorially based tax system, and income received from any economic activity carried out in Venezuela is subject to taxation. The maximum income tax rate for individuals and corporations is 34 percent. Venezuelan law does not differentiate between foreign and Venezuelan-owned companies, except in the petroleum sector. PDVSA's hydrocarbon revenues are subject to a 67.7 percent income tax, in addition to a 16.7 percent royalty payment on production. In 1998, in a move criticized by some PDVSA executives, the government required PDVSA to pay a one-time “dividend” of $1.4 billion to help the Venezuelan government fund its fiscal deficit.

Most joint ventures with PDVSA are liable for the same level of income tax, except for those involved in the development and refining of heavy and extra heavy crudes and off shore natural gas, which are subject to a reduced rate of 34 percent. (Joint ventures did not have to pay the 1998 dividend, which was considered a one-time charge.) The government announced in September 1996 that current and future projects involving extra heavy crude oil would also be entitled, on a case by case basis, to temporary reductions in the 16.7 percent royalty payment to as low as 1.5 percent. These reductions are granted for the construction phase of the projects.

Since 1993, the government has imposed a one percent corporate assets tax, assessed on the gross value of assets (with no deduction for liabilities) after adjustment for depreciation and inflation. On August 1, 1996, the government raised its wholesale tax, which is also applied against imports, from 12.5 to 16.5 percent. Venezuela also applies a luxury tax, at a rate of 10 or 20 percent, on certain items such as jewelry, yachts, and high-priced automobiles and cable television. The government's attempt to convert the wholesale tax to a broader-based value added tax was defeated the end of 1998. The new government has indicated it will try to enact this measure in 1999.

4. Debt Management Policies

Venezuela's public sector's external debt stood at $23.8 billion at the end of 1997 and is expected to fall slightly to 23 billion by the end of 1998. External debt represents about 23 percent of GDP. Venezuela's external debt service totaled about 5.4 percent of GDP in 1998, a fall from the previous year when it had been 12 percent. (The change did not represent a significant improvement in Venezuela's external debt situation, but rather resulted from a nominal increase in GDP due largely to inflation and an overvalued currency combined with the effect of heavy payments scheduled for the previous year.) Venezuela continues to carry a heavy domestic debt burden largely incurred during the 1994-95 financial crisis and as a result of the 1997 labor reforms.

Venezuela reached a shadow agreement with the IMF in June 1998. This involved no actual transfer of funds. Venezuela agreed to IMF-recommended budgetary measures to compensate for falling oil prices. The IMF recommended that the government keep its fiscal deficit to no more than 2.5 percent of GDP. However, the continuing decline in oil prices and the domestic recession made it very difficult for the government to reach this target.

5. Aid

The U.S. furnishes Venezuela counter-narcotics assistance through a number of programs. Under Presidential Drawdown Authority under Section 506(a)(2) of the Foreign Assistance Act of FY 1996 and FY 1997, the U.S. government is providing the Venezuelan military with $13.5 million in training, equipment and services to support counter-narcotics operations. In FY 1998, the U.S. provided an estimated $600,000 in counter-narcotics assistance to Venezuelan law enforcement agencies and the military from international narcotics control funds. The U.S. also gave the government $400,000 in aid under the International Military Education and Training Program (IMET) to strengthen the country's counter-narcotics capabilities.

6. Significant Barriers to U.S. Exports

After many years of following an economic policy based on import substitution, Venezuela began to liberalize its trade regime with its accession to the General Agreement on Tariffs and Trade (GATT) in 1990. Venezuela became a founding member of GATT's successor, the World Trade Organization (WTO), in 1995 following completion of the Uruguay Round negotiations. Venezuela implemented the Andean Community's Common External Tariff (CET) in 1995, along with Colombia and Ecuador. The CET possesses a five-tier tariff structure of 0, 5, 10, 15, and 20 percent. As such, it reflects old import substitution ideas since it imposes the highest tariff rates on finished goods and the lowest rates on raw materials and intermediate products. Venezuela's average import tariff on a trade-weighted basis is roughly 10 percent.

Under the Andean Community's Common Automotive Policy (CAP), assembled passenger vehicles constitute an exception to the 20 percent maximum tariff and are subject to 35 percent import duties. The knock-down kits from which such cars are assembled enter Venezuela with only a three percent duty. Imports of used automobiles, used clothing and used tires remain prohibited, even though Venezuela agreed to eliminate all GATT-inconsistent quantitative restrictions by the end of 1993 as part of its accession to the GATT.

Venezuela implemented the Andean Community's price band system in 1995 for certain agricultural products, including feed grains, oilseeds, oilseed products, sugar, rice, wheat, milk, pork and poultry. Yellow corn was added to the price band system in 1996. Ad valorem rates for these products are adjusted according to the relationship between market commodity reference prices and established floor and ceiling prices. When the reference price for a particular market commodity falls below the established floor price, the compensatory tariff for that commodity and related products is adjusted upward. Conversely, when the reference price exceeds the established ceiling, the compensatory tariff is eliminated. Floor and ceiling prices are set once a year based on average CIF prices during the past five years.

Import Licenses: Venezuela requires that importers obtain sanitary and phytosanitary (SPS) certificates from the Ministries of Health and Agriculture for most pharmaceutical and agricultural imports. The government routinely uses these measures to restrict agricultural and food imports. For example, Venezuelan authorities banned the import of U.S. poultry in 1993 because avian influenza (AI) exists in the United States. The restriction is not based on a scientific risk assessment indicating that U.S. poultry exports pose a risk to the Venezuelan poultry industry. The Ministry of Agriculture modified this import prohibition in its official gazette on March 13, 1997, allowing the import of pathogenic free (SPF) eggs from "avian influenza countries and the import of certain processed poultry products from AI countries." Even so, it is almost certain that the government would not issue sanitary permits for the importation of U.S. poultry, largely due to pressure from local poultry producers. Furthermore, those producers openly admit that the issue would disappear if Venezuela was approved as an eligible poultry exporter to the United States. Currently, the embassy knows of no requests on the part of Venezuelan importers for U.S. poultry.

In April 1997, the government lifted a ban on U.S. pork and swine imports imposed because of Porcine Reproductive and Respiratory Syndrome (PRRS). Furthermore, the Venezuelan Agricultural Health Service (SASA) and Ministry of Health officials reviewed the U.S. meat processing system as overseen by the USDA and approved U.S. facilities for export to Venezuela. Venezuela now plans to invoke its WTO-negotiated Tariff Rate Quota (TRQ) for pork imports, again limiting market access below actual demand. Full details of this TRQ are unavailable at this time.

The Ministry of Agriculture implemented a yellow corn import licensing system in February 1997, ostensibly to administer its WTO tariff rate quota for sorghum and yellow corn, but in actuality to enforce domestic sorghum absorption requirements. Under this system, feed manufacturers must purchase a government-assigned amount of domestic sorghum at the official (i.e. higher than world market) price in order to obtain import licenses for yellow corn. The Ministry of Agriculture has announced that it may establish similar import license requirements for white corn, rice and powdered milk.

Services Barriers: Professionals working in disciplines covered by national licensing legislation (e.g. law, architecture, engineering, medicine, veterinary practice, economics, business administration/management, accounting, and security services) must re-validate their qualifications at a Venezuelan University and pass the Associated Professional Exam. Foreign journalists who plan to work in the domestic Spanish language media face similar revalidation requirements.

Standards, Testing, Labeling and Certification: The Venezuelan Commission of Industrial Standards (COVENIN) requires certification from COVENIN-approved laboratories for imports of over 300 agricultural and industrial products. U.S. exporters have experienced difficulties in complying with the documentary requirements for the issuance of COVENIN certificates. Some Venezuelan importers of U.S. products have alleged that COVENIN applies these standards more strictly to imports than to domestic products.

The government started to require certificates of origin for imports in March 1996 that are "similar to goods which currently have anti-dumping or compensatory measures applied to them." Importers have complained that the new requirement, which primarily affects textiles and garments, is burdensome and time-consuming to fulfill. Tariff and non-tariff barriers also inhibit the importation of milk, some cereals and certain live animals.

Investment Barriers: Foreign investment is restricted in the petroleum sector, with the exploration, production, refining, transportation, storage, and foreign and domestic sale of hydrocarbons reserved to the government and its entities under the 1975 Hydrocarbon Law. However, private companies may engage in hydrocarbons-related activities through operating contracts or through equity joint ventures as long as the following conditions are met: 1) the joint ventures must guarantee state control of the operation; 2) they must be of limited duration; and 3) they must have the prior authorization of Congress. PDVSA has been opening the oil sector to increasing amounts of foreign investment since 1993 through both operating contracts and joint ventures.

The exploitation of iron ore is also reserved to the state and therefore is not open to foreign investment. There are no formal barriers to foreign investment in the rest of the mining sector (including the processing of iron), but the long, drawn-out process for obtaining mining concessions effectively inhibits it. Two large, foreign-owned, gold mining projects obtained mining concessions in recent years and could begin operations at the beginning of the next decade. Venezuela limits foreign equity participation (except that from other Andean Community countries) to 19.9 percent in enterprises engaged in television and radio broadcasting, in the Spanish-language press, and in professional services subject to national licensing legislation.

Venezuelan law incorporates performance requirements and quotas for certain industries. Under the Andean Community's Common Automotive Policy (CAP), all car assemblers in Venezuela must incorporate a minimum amount of regional content in their finished vehicles. The local content requirement for passenger vehicles was 32 percent in 1997 and rose to 33 percent for 1998. It is scheduled to rise to 34 percent in 1999. The government enforces a "one for one" policy for performers giving concerts in Venezuela. This requires foreign artists featured in these events to give stage time to national performers. There is also an annual quota regarding the distribution and exhibition of Venezuelan films. At least half of the television programming must be dedicated to national programs. Finally, at least half of the FM radio broadcasting from 7 a.m. to 10 p.m. is dedicated to Venezuelan music.

Venezuela's Organic Labor Law places quantitative and financial restrictions on the employment decisions made by foreign investors. Article 20 of the law requires that industrial relations managers, personnel managers, captains of ships and airplanes, and foremen be Venezuelan. Article 27 limits foreign employment in companies with ten or more employees to 10 percent of the work force and restricts remuneration for foreign workers to 20 percent of the payroll. The shortage of skilled Venezuelan workers in the booming oil sector sometimes makes it difficult for foreign oil companies to meet this requirement. Article 28 allows for temporary exceptions to Article 27 and outlines the requirements to hire technical experts when equivalent Venezuelan personnel are not available.

Government Procurement Practices: The 1990 Law of Tenders states that for general and selective tenders within a "reasonable range" preference will be given to those that score highest on national content, labor impact, national value added, local participation, and technology transfer. According to an unwritten rule, the government also purchases local goods unless the price of such goods is 25 percent more than the landed cost of competing foreign products. PDVSA is permitted to make foreign purchases if domestic firms cannot meet quantity, quality or delivery requirements. In addition, imported materials supplied by local representatives of foreign manufacturers are classified as "domestic purchases."

Companies wanting to sell to a Venezuelan governmental agency must be registered in the National Register of Contractors, which is maintained by the Central Office of Statistics (OCEI). Venezuela is not a signatory of the WTO Agreement on Government Procurement, although the government has recently expressed interest in this exploring this possibility.

Customs Procedures: The private sector, both Venezuelan and foreign, complains that Venezuelan customs is plagued by corruption and antiquated procedures, which frequently delay the clearance of incoming goods. The government took the first step in modernizing customs procedures in October 1996 by initiating a new computerized operation at La Guaria, one of the country's main ports.

The government passed a new Customs Law at the end of 1998, which would make private customs agents criminally responsible for illegal shipments or undervalued shipments that enter the country. The government also instituted measures to assess customs charges for imported clothes according to minimum prices set by the bulk weight of a given shipment. Critics charged that the new regulations constitute an effort to protect manufacturers hard hit by the overvalued currency and the domestic recession. The government countered that the new customs regulations are temporary (they are renewable regulations set to last 180 days), and are designed to be stopgap measures to prevent the deliberate undervaluing of imports pending implementation of the new Customs Law.

7. Export Subsidies Policies

Venezuela has a duty drawback system that provides exporters with a customs rebate paid on imported inputs. Exporters can also get a rebate of the 16.5 percent wholesale tax levied on imported inputs. Foreign as well as domestic companies are eligible for these rebates, which are given in the form of tax refund certificates denominated in bolivars. Exporters of selected agricultural products -- including coffee, cocoa, some fruits and certain seafood products -- receive a tax credit equal to 10 percent of the export's FOB value. President Caldera issued a decree in March 1997 allowing industrial projects (including tourism) that are designed to either produce goods for the export market or to generate foreign exchange to receive exoneration from the 16.5 percent wholesale tax during their "pre-operative" stage of development. The exoneration is good for up to five years.

8. Protection of U.S. Intellectual Property

Venezuela belongs to the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO). It is also a signatory to the Paris Convention, Berne Convention, Rome Convention, Phonograms Convention, and the Universal Copyright Convention. In 1998, the U.S. Trade Representative maintained Venezuela on the “Special 301” Watch List because it does not yet provide adequate and effective protection of intellectual property rights (IPR).

Although Venezuela has improved its protection of intellectual property rights over the last few years, U.S. companies continue to express concern about inadequacies in the enforcement of patents, trademarks, and copyrights. The Venezuelan court system has been an unreliable means for pursuing IPR claims.

In July 1996, the government took a significant step forward in improving enforcement by forming a special anti-piracy unit (COMANPI) to enforce copyright law. COMANPI had notable success in combating video piracy in its first several months of existence. More recently, the agency has concentrated on countering the widespread piracy of satellite signals and cable television. In 1998, COMANPI expanded its mandate to include enforcement of patents and trademarks, as well as copyrights. In March 1997, the government created a new Intellectual

Property and Trademark Office (SAPI) by merging the existing Industrial Property Office (SARPI) with the National Copyright Office. SAPI became operational on May 1, 1998. Indications so far are that the agency will attempt a more serious enforcement of trademark rules than has taken place in the past.

Patents: Andean Community Decisions 344 and 345, which took effect in 1994, are comprehensive and offer a significant improvement over the previous standards of protection for patents and trademarks provided by Venezuela's 1955 Industrial Property Law. However, the decisions are considered faulty since they include compulsory licensing provisions, working requirements, and restrictions on bio-technical inventions. The decisions deny pharmaceutical patent protection for medicines registered on the World Health Organization's list of essential drugs. Furthermore, they lack provisions concerning transitional ("pipeline") protection and protection from parallel imports. The decisions also do not contain provisions for enforcing intellectual property rights.

Although Venezuela has been pressing to begin the process of modifying Decision 344 to make it consistent with the WTO TRIPs Agreement, other Andean Community members prefer to wait to make any changes until the January 1, 2000 deadline for implementation of the TRIPs Agreement is much closer. The government has proposed legislation to update the 1955 Industrial Property Law, but this still awaits action by congress.

Trademarks: Decision 344 improves protection for famous trademarks, prohibits the coexistence of similar marks, and provides for the cancellation of trademark registrations based on "bad faith." However, problems remain with Venezuela's trademark application process. Current procedures enable local pirates to produce and sell counterfeit products even after the genuine owners of those trademarks have undertaken (often lengthy) legal proceedings against the pirates. Trademark piracy is common in the clothing, toy, and sporting goods sectors. Enforcement remains inadequate.

SAPI made a promising start in 1998 in fighting trademark piracy. In October, SAPI nullified the trademark application of a pirate who had applied for and received a U.S. trademark "in bad faith." Nevertheless, SAPI retains a long backlog of cases, and many U.S. companies remain tied up in legal attempts to recuperate their trademarks. Two outstanding cases are Reebok International and Home Depot. Two recent Supreme Court decisions involving Joan and David shoes and Phillip Morris have also undercut progress on IPR protection. The court decided both cases according to Venezuela's 1955 Industrial Property Law because they were initiated before 1994, when Andean Community Decision 344 came into effect.

Copyrights: Andean Community Decision 351 and Venezuela's 1993 Copyright Law are modern and comprehensive and have substantially improved protection of copyrighted products in Venezuela. The Copyright Law extended protection to a wide range of creative works, including computer software, satellite signals, and cable television. Despite the arrival of

COMANPI, computer software and video piracy are still common. Unauthorized reception and retransmission of U.S. satellite signals and services are also widespread.

New Technologies: Decision 351 and Venezuela's Copyright Law protect an array of creative activities in the computer and broadcasting fields. Nevertheless, Decision 344 excludes diagnostic procedures, animals, experiments with genetic material obtained from humans, and many natural products from patent protection. However, it does contain provisions for the protection of industrial secrets.

9. Worker Rights

a. The Right of Association: Both the Constitution and local labor law recognize and encourage the right of unions to organize. The comprehensive 1990 Labor Code extends to all private sector and public sector employees (except members of the armed forces) the right to form and join unions of their choosing. One major union umbrella organization, the Venezuelan Confederation of Workers (CTV), three smaller unions affiliated with CTV, and a number of independent unions all operate freely. About 25 percent of the national labor force is unionized.

b. The Right to Organize and Bargain Collectively: The Labor Code protects and encourages collective bargaining, which is freely practiced. Employers must negotiate a collective contract with the union that represents the majority of their workers in a given enterprise. The labor code also contains a provision stating that wages may be raised by administrative decree, provided that Congress approves the decree. The law prohibits employers from interfering with the formation of unions or with their activities and from stipulating as a condition of employment that new workers must abstain from union activity or that they must join a specified union.

c. Prohibition of Forced or Compulsory Labor: The Labor Code states that no one may "obligate others to work against their will."

d. Minimum Age for Employment of Children: The Labor Code allows children between the ages of 12 and 14 years to work only if the National Institute for Minors or the Labor Ministry grants special permission. However, children between the ages of 14 and 16 need only the permission of their legal guardians. Minors may not work in mines or smelters, in occupations "that risk life or health," in jobs that could damage their intellectual or moral development, or in "public spectacles." Those under 16 years of age cannot work more than six hours a day or 30 hours a week. Minors under the age of 18 years may work only during the hours between 6 a.m. and 7 p.m.

e. Acceptable Conditions of Work: Effective May 1998, the monthly minimum wage for the private sector is $175 (BS 100,000) for urban workers and $157 (BS 90,000) for rural workers. The law excludes only domestic workers and concierges from coverage under the minimum wage decrees. The Ministry of Labor enforces minimum wage rates effectively in the formal sector of the economy, but generally does not enforce them in the informal sector. The

1990 Labor Code reduced the standard workweek to a maximum of 44 hours and requires "two complete days of rest each week." The code also states that employers are obligated to pay specific amounts (up to a maximum of 25 times the minimum monthly salary) to workers for accidents or occupational illnesses, regardless of who is responsible for the injury.

In a statute passed in 1998, employers with fifty or more employees must now provide workers who earn less than twice the minimum wage (about $350 a month) with a meal during each work shift. Employers can do this by providing their own canteen, contracting with a food service or distributing lunch tickets that workers can redeem at food establishments.

f. Rights in Sectors with U.S. Investment: People who work in sectors that receive high levels of U.S. investment receive the same protection as other workers. The wages and working conditions for those in U.S.-affiliated industries are better than average in the majority of cases.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis -- 1997

(Millions of U.S. Dollars)

Category		Amount
Petroleum		1,232
Total Manufacturing		1,833
Food & Kindred Products	375	
Chemicals & Allied Products	258	
Primary & Fabricated Metals	121	
Industrial Machinery and Equipment	36	
Electric & Electronic Equipment	89	
Transportation Equipment	474	
Other Manufacturing	480	
Wholesale Trade		294
Banking		(1)
Finance/Insurance/Real Estate		59
Services		87
Other Industries		(1)
TOTAL ALL INDUSTRIES		5,176

(1) Suppressed to avoid disclosing data of individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.